CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 18, 2000

H.R. 4944

Export Working Capital Loan Improvement Act of 2000

As ordered reported by the House Committee on Small Business on July 27, 2000

CBO estimates that implementing H.R. 4944 would have no significant impact on the federal budget. This legislation could affect direct spending by lowering the subsidy cost of certain existing loan guarantees, but we estimate that any such effects would be negligible. Because the bill could affect direct spending, pay-as-you-go procedures would apply. H.R. 4944 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

Under current law, the Small Business Administration (SBA) may guarantee loans to small businesses to develop foreign markets. Lenders may sell the guaranteed portion of such loans after the loans are fully disbursed to the borrowers. SBA is authorized to charge a fee on loans sold on the secondary market if the sale price exceeds 110 percent of the value of the guarantee. Amounts collected from such fees reduce the subsidy cost of those loan guarantees.

H.R. 4944 would authorize banks to sell the guaranteed portion of loans for export working capital before the loans are fully disbursed to the borrowers. CBO expects that implementing this provision would increase the volume of loans sold. We expect, however, that very few of these export-related guarantees would sell for more than 110 percent of the value of the guarantee, based on trends in the secondary market for loans and information from SBA. As a result, we estimate that the legislation would have no significant effect on the subsidy cost of existing or future guarantees of such loans.

The CBO staff contact is Mark Hadley. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.